

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Contact Person - ID Number:

Contact Telephone Numbers:

LEGEND

UIL: 4945.04-04

B = Scholarship Program
C = Section 501(c)(3) charity
D = Designation
E = Company
F = Management Company
r = Dollar Amount
s = Dollar Amount
t = Number
u = Number

Dear :

This letter corrects and supersedes our previous letter dated October 21, 2011.

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated March 15, 2011.

Our records indicate that you are recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

You will operate a grant-making program named B, to allow individuals to obtain postsecondary education.

Application Process

In furtherance of your educational and charitable purpose, you will award a two-year scholarship totaling r (an award of s each year) to t graduating high school seniors attending schools across the United States. The scholarships will help fund tuition and fees at an accredited United States two or four-year college or university, community college, or technical or vocational school. The amount, number, and duration of scholarship awards could vary from year to year based on the availability of funding. During the first year, the scholarships will be offered to students attending high schools across the United States. After the first year, the scholarships may be targeted to students

attending high schools that C has identified as D because they have taken a variety of steps to improve high student dropout rate and offer caring adults, safe places, a healthy start, an effective education, and opportunities to help others.

Candidates must be United States citizens who plan to attend an accredited United States two or four-year college or university, community college, or technical or vocational school on a full-time basis in the fall of the year the scholarship is awarded; show documented financial need; and satisfy the grade point average requirement of between 2.5 and 3.2 on a 4 point scale. Children of employees, agents, and retirees of E and its subsidiaries and affiliates who are otherwise eligible may apply for scholarships but will not receive any preferences. Disqualified persons will not be eligible for the scholarships.

You will require candidates to submit an application that will request such information as you deem appropriate. This information may include a biographical summary, the type of postsecondary educational institution the student will attend, a statement of the purposed course of study, evidence of financial need, letters of reference, academic records, and a description of the individual's involvement in leadership or community service activities. In order to reduce administrative burden of receiving thousands of application for t scholarships, the application period will close each year after u individuals with demonstrated financial need have submitted applications.

You will develop a plan for publicizing the scholarship program, which may include providing information on E's website and internal websites, reaching out to high school counselors, and collaborating with other charitable and educational organizations to publicize and promote the scholarship program.

Selection Process

You have contracted with F to select recipients and manage the scholarship program on your behalf. The criteria for selecting scholarship recipients will be reasonably related to the charitable and educational purposes of the scholarship. Such criteria will include an individual's prior academic performance, positive recommendations from instructors, the type of postsecondary educational institution the student plans to attend, the level of financial need, and the level of a student's community involvement. Selections will be made by F, and they will not give preference to an applicant on the basis of his or her relationship to E.

At some point in the future you may decide to manage the scholarship program directly instead of working with F. In such instance, you will apply similar criteria for selecting scholarship recipients and will ensure that no applicant receives any special consideration because of his or her relationship to E. The selection committee would be program staff or comprised of individuals who have expertise or a commitment to increasing the graduation rate and helping students with financial need receive postsecondary education. You will require the selection committee to follow a conflict of interest policy with respect to its scholarship decisions. Family members of program staff responsible for the scholarship program or members of the selection committee will be ineligible for scholarships.

Terms and Conditions

The terms and conditions of the scholarships will be set forth in a letter sent to each recipient who will be required to communicate acceptance thereof to you. In addition to stating the specific purpose, amount, and duration of the scholarship, the letter will require recipients to attend school on a full-time basis and furnish narrative reports. If scholarship recipients' postsecondary educational program involves coursework the narrative reports must include a description of the courses taken and the grades received in each academic period and be verified by the grantee's educational institution. If the educational program does not involve formal coursework but instead involves only the preparation of research papers or projects, the report must describe the progress of the paper or project and be approved by a supervisor or another appropriate educational officer.

Scholarship payments will be made either to the student, or more likely, directly to the student's educational institution. In the case of payments made directly to an educational institution, you may choose not to require the scholarship recipient to furnish narrative reports if the educational institution agrees to use the funds to offset the recipient's expenses or pay the funds to the recipient only if he or she is enrolled at the institution and in good standing.

You will defer payment of scholarship awards for recipients who postpone postsecondary education due to military service.

The renewal of a grant for any succeeding period will be contingent upon evidence of adequate performance at the time of review.

Procedures for Exercising Supervision Over Grants

When applicable, you will request and review annual reports from the scholarship recipients and a final report at the end of the scholarship's duration. You will review each report to determine whether the purposes of the scholarship are being or have been fulfilled, and to identify any issues requiring further scrutiny or investigation.

Investigation of Jeopardized Grants

You will initiate an investigation if you do not receive a required report after a reasonable time has elapsed from the due date, or if a required report or other information indicates that all or any part of your funds are not being used for the purposes of the scholarship. While conducting the investigation, you will take all reasonable and appropriate steps to recover any diverted scholarship funds or to insure the restoration of any diverted funds and the dedication of any other scholarship funds held by the recipient to the purposes of the scholarship. These steps may include legal action unless such action would in all probability not result in satisfaction of execution on a judgment.

If the scholarship recipient has previously diverted scholarship funds to any use not in furtherance of a purpose specified in the scholarship, you will withhold further payments on the particular scholarship until (1) you have received the recipient's assurances that future diversions will not occur, (2) any delinquent reports have been submitted, and (3) you have required the recipient to take extraordinary precautions to prevent future diversions from occurring. If the scholarship recipient has previously diverted grant funds, you will withhold further payment until the three conditions of the preceding sentence are met and the diverted funds are in fact recovered or restored.

Record-Keeping Procedures

You will retain records pertaining to all scholarship payments necessary to satisfy the requirements of Treasury Regulation Section 53.4945-4(c)(6), including: (a) all information secured to evaluate the qualification of applicants; (b) the identification of all recipients including any relationship of such recipients to you sufficient to make such recipient a disqualified person of yours, (c) specification of the amount and purpose of each payment made by you, and (d) any follow-up information obtained in administering the program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards

granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations

Enclosures: Notice 437
Redacted copy of letter